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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 29 March 1978 CG NIDC 78/073C

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State Dept. review completed

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National Intelligence Daily Cable for Wednesday, 29 March 1978.

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The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Rallying Knesset Support

25X1 [] Israeli Prime Minister Begin is likely to give an impassioned defense of his peace proposals before the Knesset today in an effort to orchestrate another show of coalition solidarity in the face of sharp differences with the US. Begin has already had some success in rallying public support and blaming the US for the "failure" of his talks in Washington.

25X1 [] Since Sunday's demonstration of unity by the cabinet, coalition members have largely closed ranks behind the Prime Minister and defended his negotiating position. Begin's hand has been strengthened further by press reports--apparently planted by the Israeli Foreign Ministry--suggesting that the US hopes to engineer his downfall.

25X1 [] As a result, Defense Minister Weizman's challenge to Begin has fizzled and left Weizman at least temporarily isolated. Coalition moderates regard Weizman's power play as premature and embarrassingly inept. They are in no mood to challenge Begin and other hard-liners in the midst of a serious disagreement with the US.

25X1 [] Deputy Prime Minister Yadin, the head of the moderate Democratic Movement for Change, strongly defended Begin's negotiating position at a party meeting on Monday and accused President Carter of going out of his way not to reach agreement with Begin. Some party doves are urging the Democratic Movement to break with the government unless it modifies its peace proposals, but Amnon Rubinstein, a prominent dove and influential faction leader, argued against such a move and urged the party to continue to work within the government to change its policies.

25X1 [] The opposition Labor Party has largely ignored Weizman's bid for a national peace government. Rather than rallying behind the government this time, it is making a feeble effort to put Begin on the defensive. Party leaders reportedly have dropped their plans to submit a no-confidence motion. Instead they will put forward a resolution during the parliamentary debate today to emphasize their differences with Begin over the application of UN Security Council Resolution 242 to the West Bank.

25X1 [] The Labor-oriented press and the respected independent *Haaretz* also have criticized Begin. *Haaretz* is calling for a national debate; it maintains that the government's claim of a national consensus favoring Begin's position is inaccurate.

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[] On balance, however, the press thus far has blamed the US more than Begin for the current impasse. Even the moderate *Jerusalem Post*, while characterizing the Prime Minister as obturate and obtuse, argues that Begin deserves support for resisting Washington's "wrong-headed" approach. []

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USSR: Arbatov on US Relations

25X1 [] The Pravda article yesterday by Georgiy Arbatov constitutes another public expression of deep concern over the course of detente and SALT by the Soviet leadership. Arbatov, the director of the Institute of the USA and Canada, emphasized the importance and urgency of SALT and declared that the issue is one of "... selecting the road for years to come." He alleged the US is vacillating in its current approach to SALT and saw in this "vacillation" reluctance by the US to reconcile itself to military parity with the USSR and political parity in Europe. Arbatov blamed the US completely for the apparent lack of forward movement.

25X1 [] Although his article is clearly part of a Soviet campaign to express impatience about the US SALT policy and to press Washington to offer new SALT positions, Arbatov paints a somewhat less alarmist picture of the US administration than the TASS report issued in immediate response to the President's speech in Winston-Salem on 17 March.

25X1 [] The TASS piece interpreted the speech as reflecting a shift in American policy away from negotiations and detente toward a course of threats and tension, but Arbatov did not characterize US policy intentions so directly and broadly. He was severely critical of some US actions but did not conclude that the administration's basic orientation is "anti-Soviet."

25X1 [] While Arbatov reiterates the now familiar Soviet allegation of hypocrisy in American policy--contrasting the President's remarks about the need for US military strength in the face of a Soviet military threat with his "concern" for preventing war--Arbatov does so less harshly than did TASS.

25X1 [] The TASS report depicted the President as cynically seeking one policy aim while voicing another, but Arbatov describes the President as perhaps misguided, difficult, or unsure but not necessarily as fundamentally ill-intentioned.

25X1 [] Arbatov predicted dire larger consequences of a failure to achieve a SALT treaty: "a rejection of the (SALT II) agreement. . . would mean torpedoing the Soviet-American dialogue" on SALT and a further "considerable deterioration" in the overall bilateral relationship. He thus repeated a theme that marked Soviet commentary earlier this year.

25X1 [] A Soviet journal that last summer issued some of the harshest criticism of US policy early this month cited a US magazine article that argued that if the Senate rejects a SALT II treaty "the era of detente may end." More important, President Brezhnev last month used an unusually conditional formulation about the future of detente when he described it as depending on initiatives from the US side.

25X1 [] The greater publicity given this theme since candidate Politburo member Ponomarev's visit to the US almost two months ago seems to reflect not only increasing Soviet frustration in failing to reach agreement on SALT but also growing worries in Moscow that the end result may be in doubt. Thus, in addition to putting pressure on the US, the Soviets public stance serves to shape domestic and world opinion to interpret either continued stalemate or more dramatic future evidence of failure as the fault of the US.

25X1 [] The Soviets have increasingly questioned how much the US wants progress on SALT issues at this time. Arbatov declared that the fate of a SALT II treaty hinges on "the fundamental political decision of the US Government as to whether to conclude an agreement at this time at all." //Soviet remarks made privately at the SALT negotiations also reflect some concern in Moscow that the US, for whatever reason, may not be seeking agreement "in the near future."//

25X1 [] //The Soviets are pressing this point despite the
impression it could create that Moscow needs a SALT treaty more
25X1 than Washington, a point that Arbatov and others have vigorously
denied.// []

NORTH KOREA: Indicting US Policy

25X1 [] *In a departure from its earlier treatment of the
Carter administration, North Korea yesterday issued an exten-
sive indictment of overall US foreign policy that repeatedly
criticizes President Carter personally. Pyongyang's broadside
reflects dissatisfaction with the slow pace of the US military
withdrawal from South Korea. North Korea also seems to be ex-
pressing concern that differences between China and the USSR
might further dilute Communist opposition to the US--a warning
that is particularly timely in view of press reports that Chi-
nese party leader and Premier Hua Kuo-feng may soon visit North
Korea.*

25X1 [] During the course of the recent 11-day joint US -
South Korean maneuvers Pyongyang roundly criticized the US and
South Korea for increasing tensions on the Korean Peninsula.
By avoiding any personal criticism of President Carter, how-
ever, the North Koreans at that time maintained the sense of
moderation that had characterized their public commentary con-
cerning the US since the administration announced that the US
would withdraw ground forces from South Korea.

25X1 [] An editorial in the North Korean party daily yester-
day was the first significant departure from this restrained
line. Asserting that "as days go by, Carter's deeds do not
agree with his words," the article claimed that the US is ac-
tually building up its military strength and that of the South
Koreans under the "smokescreen" of withdrawal.

25X1 [] The article also criticized the US for allegedly
fomenting trouble abroad and promoting conflicts among Third
World countries. It asserted that the US hopes to "split and
disintegrate" the nonaligned movement and weaken the overall
"anti-imperialist" struggle.

25X1 [] In calling attention to the "unchanging nature" of US
imperialism, Pyongyang may be sending a message to its allies.
Over the years North Korea has seen Chinese and Soviet support
for North Korea's anti-US efforts diminish as the Sino-Soviet
conflict has deepened. One passage in the editorial, which

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stated that "US imperialism is the number one target of the struggle of the world people," will be especially discomfoting to Peking. In Chinese eyes, the USSR long ago displaced the US as the "number one" enemy.

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According to recent press reports from Peking, Hua Kuo-feng will travel to Pyongyang in late spring or early summer--his first trip abroad since taking over the leadership in 1976. North Korean President Kim Il-song is certain to use the visit to ascertain the Chinese leader's view of the US.

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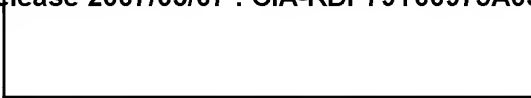
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SOUTH LEBANON: Demographic Study

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//The population of southern Lebanon has dwindled sharply in recent years, buffeted first by the civil war and now by the Israeli occupation of much of the region. With Israeli support, Lebanese Christians are trying to expand their control over the region.//

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[redacted] //Lebanon's 1943 National Covenant gave each of the country's 14 major religious communities a theoretically equitable representation in the Chamber of Deputies according to its proportion of the total population. According to the 1932 census, the predominantly Maronite Christian community holds a 6 to 5 majority over the Muslims. The Christians have avoided a new census, which would reveal a change in favor of the Muslims.//

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[redacted] //The south is a poor, rural area, predominantly inhabited by Shia Muslims, that has not kept pace with economic progress in other farming areas. The people live mainly in farming villages, with a population density of around 500 inhabitants per square mile.//

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[redacted] //Before 1975, the population of southern Lebanon below Nabatiyah was approximately 250,000. By the time of the Israeli incursion earlier this month, it had declined to 100,000. Since then, tens of thousands more refugees have fled toward Beirut, adding to its already enormous economic and security problems.//

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[redacted] //The sectarian distribution in the south is complex. The Shia, probably at least two-thirds of the total population, predominate in most areas. The Druze are located primarily in the Hasbayya area, Maronites in the Ayn Ibil and Rumaysh areas, and the Greek Orthodox and Catholics in the Marj Uyun and Khiyam areas. Almost all of the villages in the south have sectarian minorities.//

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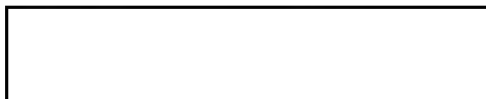
[redacted] //Four Palestinian refugee camps are located in the south--three near Tyre and one in Nabatiyah. As of 1974, about 45,000 Palestinians lived near Tyre and 5,000 in Nabatiyah. Another 45,000 resided in camps farther north in Sidon. All of the camps at Tyre and Nabatiyah are now nearly deserted. The population has fled to the north.//

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[redacted] //During the civil war, local Christian elements controlled Qulayah and Rumaysh almost from the start while the Lebanese Arab army--made up of dissident Muslim elements of the regular Lebanese Army--held Marj Uyun. The rest of the south was more or less in Palestinian hands--but only in Tyre and the Arqub region was there a significant Palestinian military presence.//

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[redacted] //In the spring of 1976, Israel began supplying Christians in the south with food, water, fuel, and medical



[redacted]

treatment through four designated gates of the formerly closed border under the Israeli "good fence" policy. [redacted]

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[redacted] //As the civil war drew to an end in October 1976, the Israelis encouraged the Christians to expand their enclaves in the south to create a "cordon sanitaire" along the border to prevent such Palestinian terrorist raids into Israel as the attacks on Maalot and Qiryat Shemona in early 1974. The Christians, with Israeli aid, seized Marj Uyun, but they were unsuccessful in their attempt to capture Bint Jubayl in October.//

[redacted] //By early 1977 the lines of control in the south had settled into a stalemate despite occasional efforts by both sides to enlarge their holdings. The Christian-led forces held Alma ash Shab, Rumaysh, Ayn Ibil, Kafr Killa, Qulayah, and Marj Uyun. The Palestinians and their Lebanese leftist allies held most of the rest and had major concentrations at Naqurah, Bint Jubayl, Tayyibah, Arnun, and Khiyam.//

[redacted] //The area controlled by Palestinians and leftist Muslims extended northward to a line running from Zahrani through Kafr Hunah to Rashayya, the southern limit of the Syrian-dominated area. The Israelis continued to support the Christians [redacted]

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[redacted] //About 2,000 to 2,500 Christian militiamen are now in the south, loosely commanded by a Lebanese officer, Major Saad Haddad. Press reports indicate that the Christians are expanding their holdings behind the shield of the Israeli presence.//

[redacted] //Haddad has announced that he intends to form a "local army" in the south of Christians and Shia Muslims to guarantee the region's security. Even if Haddad does recruit more militiamen, the Christians--without Israeli support--are no match for the Palestinians.//

[redacted] //Israel is at least temporarily in control of this key area. The Israelis now hold that part of Lebanon south of a line running from Hasbayya west to the Litani River all the way to the coast; the Palestinians hold a narrow enclave around Tyre. UN forces have taken up positions at Tyre and at bridges over the Litani. [redacted]

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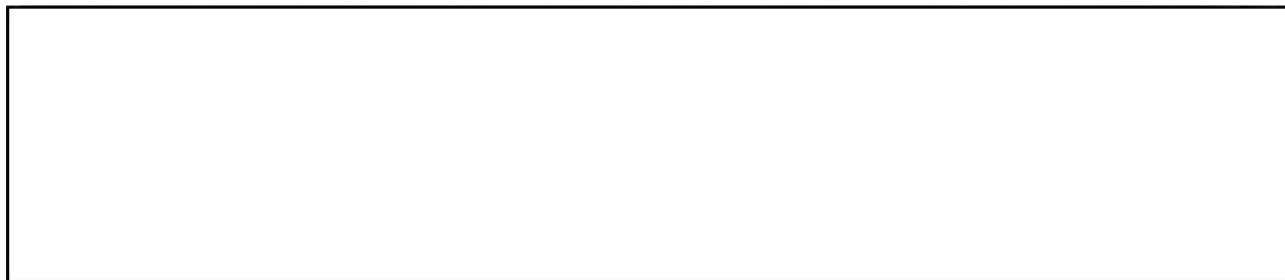
JAPAN: Trying to Speed Up Growth

25X1 [] //The Japanese cabinet last week adopted a plan to speed up the tempo of economic recovery over the next six months. The government hopes the program will enable Japan to show that it is making progress toward meeting its commitment for 7-percent economic growth in fiscal year 1978 in time for the summit meeting in May between President Carter and Prime Minister Fukuda. Tokyo also hopes the plan will help stabilize the yen.//

25X1 [] The main features of the recovery package include:

- Faster implementation of public works projects--public investment will be concentrated in the first half of the fiscal year.
- Efforts to force interest rate reductions.
- Speeded construction of oil stockpiling facilities.
- Jawboning government-regulated gas and electric power companies into boosting capital outlays by an additional \$9 billion this year.
- Acceleration of government-backed low-interest loans for housing--200,000 low-cost loans will be awarded next month.
- Implementation of measures to liberalize foreign exchange controls and to encourage imports.

25X1 [] The program does not entail increases in government outlays beyond the \$143 billion budget presented in January. 25X1



25X1 [] //Electric power companies already have undertaken large increases in investment spending over the past two years

at the government's behest. With excess capacity high already, most firms will likely ignore the government's request for larger outlays.//

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[] //The new program will require a sizable supplementary spending package in September to replenish funds for housing and public works and avoid a slowdown in the second half of the fiscal year. In 1977 a similar program caused growth in the second half of the fiscal year to fall by 50 percent from the first half pace.//

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[] //Exchange markets greeted the new plan with considerable skepticism. Most experts thought Tokyo would include export controls in the package. In the absence of such measures, the yen appreciated from 228 to the dollar on Friday to 225 on Tuesday and opened this morning at 224 despite reported intervention on Tuesday--more than \$800 million in dollar purchases--by the Bank of Japan.// []

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NATO-MBFR: Discussion on Initiative

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[] //NATO members are divided on the question of when to present their new initiative on force reductions to the East. The West Germans, who could influence those favoring delay, have avoided taking a firm position toward an early

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presentation of the proposal, but they may agree to support offering it prior to the opening of the UN General Assembly's special session on disarmament in late May.//

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[] //The new offer--approved by NATO last December--would provide assurances to the East as to the timing and size of the Western reductions and would no longer demand that initial Soviet withdrawals be in the form of a tank army. The Dutch and the British want to present it before the current round of force reduction talks in Vienna ends in mid-April. They argued in discussions last Thursday that sufficient progress had been made in Vienna to justify this step and that lack of movement could place the negotiations in jeopardy. The Norwegian representative agreed.//

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[] //With the exception of the Dutch, representatives of the continental states wanted to hold off on further concessions to the East until they had examined carefully the implications of the new data on military forces the Eastern side has presented. The Belgian representative took the lead on this issue; he said he feared uncritical acceptance of the East's figures could compromise the West's claim that the East's forces in the area to be affected by proposed reductions exceed those of NATO.//

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[] //The Italian delegate, with Canadian support, urged that the initiative be presented just prior to the UN disarmament session, where the Soviets could be expected to offer an initiative of their own. The Canadian representative maintained that an arms control initiative about that time would also help balance the NATO summit's expected emphasis on defense issues.//

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[] //The West German delegate said NATO should not present its initiative until the data exchange is completed. At the same time, he admitted that the initiative could contribute to movement in the force reduction talks and that it was fair to ask whether enough had already been gained to justify a further concession to the East. In response to the Italian-Canadian proposal, the West German delegate reiterated that such timing "would fit well into the landscape."

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[] //The West German position will have to be approved by Foreign Minister Genscher, who may not do so for several days. Meanwhile, recent informal comments of West German officials indicate that they are inclined to favor an early presentation.//

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[] //If the West Germans do opt for offering the proposal soon, others desiring delay until the eve of the special UN session are not likely to continue to press their case. In recent months, however, Bonn has frequently tied its support for perceived US positions on military-strategic issues to the prior existence of a European consensus favoring the US.

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BRIEF

USSR-India

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[] Soviet Deputy Minister of Defense Air Marshal P. S. Kutakhov arrived in New Delhi yesterday and is scheduled to meet with Indian President Reddy and Minister of Defense Ram. The visit is another indication of Moscow's continued concern over its relations with India.

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[] //Kutakhov will probably discuss Indian purchases of Soviet aircraft. Since the 1960s the Indians have used mainly Soviet-designed military aircraft, but New Delhi appears ready to purchase deep-penetration fighter-bombers from the UK, France, or Sweden. Kutakhov's visit is probably an attempt to convince the Indians to reconsider a Soviet aircraft deal.// []

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